CONSOLIDATED RAMBLER MINES LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31

1972

CONSOLIDATED RAMBLER MINES LIMITED

DIRECTORS	P. J. Dunlay .... New York, U.S.A.
	R. S. Haflidson .... North Bay, Ontario
	G. Kerlin .... New York, U.S.A.
	D. A. Macfarlane .... Saint John, New Brunswick
	G. F. Pushie .... St. John's, Newfoundland
	L. McC. Ritchie .... Saint John, New Brunswick
OFFICERS	R. S. Haflidson .... *President*
	L. McC. Ritchie .... *Vice-President*
	A. G. Kirkland .... *Vice-President*
	D. A. Macfarlane .... *Secretary and Treasurer*
	Mrs. M. Jones .... *Assistant Secretary*
EXECUTIVE OFFICE	Fifth Floor, Golden Ball Bldg. .... Saint John, N.B.
MINE OFFICE	Baie Verte .... Newfoundland
AUDITORS	Coopers & Lybrand .... Saint John, N.B.
TRANSFER AGENT and REGISTRAR	Guaranty Trust Company of Canada ...... Toronto, Ontario

DIRECTORS' REPORT

To the Shareholders:

Your directors are pleased to submit this report covering the Company's progress during the year 1972, including audited financial statements and the mine manager's report on operations.

Earnings during the year were markedly improved over those of 1971, operating profit being $2,136,140 and net profit $1,111,884 (37 cents per share) as compared to $288,364 and a net loss of $548,564 in 1971. Working capital increased from a deficit of $227,804 to a plus of $1,227,162, a gain of $1,454,966. All earnings were gained from the Ming mine, the East mine having operated at a loss for the year.

It should be noted that all estimates on earnings and amounts receivable from metal production are based on a copper price of 47.7 cents, this being the London Metal Exchange price as of December 31st, 1972. Since that time, the copper price has escalated appreciably and it is therefore expected that final settlements for much of 1972 production will be higher than that estimated.

Your mine manager's report on ore reserves shows a decrease in overall reserves of 360,000 tons from the year before, which is slightly less than the milled figure of 386,000 tons. This reduction may appear inconsistent with the encouraging results received in the down-dip drilling on the Ming extension during the last quarter of the year, hence it should be clearly realized that no reserves are allowed for drill intersections below 800 feet on the Ming ore body or its extension. These intersections are considered indicative of continuity only until such time as sufficient definition drilling and/or development can be done to warrant inclusion of tonnages into the "reasonably assured" category.

Early in the year, your directors implemented a policy of expanded exploration on the Rambler property, consisting of geochemical and geophysical work along with diamond drilling both on surface and underground. The surface work turned up several anomalous areas of interest and those were subsequently drilled with negative results. The underground work was directed towards continuity of the East zone to depth and at year-end had extended the zone from the 1100 to the 1300 foot horizons.

In conjunction with this program, attention was given to geologically favourable areas adjoining the Rambler property to the East. Two groups of claims were optioned, now known as the Ming Extension and the East Extension, the agreement calling for a total expenditure of $150,000 on the two groups during the first year. As of this writing, sufficient encouraging results have been obtained on both groups and it would appear that your directors will exercise the option to continue, with a further commitment of $200,000 on exploration and/or development work during the second year.

In addition to carrying out the above exploration work, primary efforts during 1973 will be directed toward the attainment of two main objectives. The first will be to maintain copper production at current levels despite a deepening and more complex mining situation at both mines. The second will be to add to proven ore reserves in known ore zones in order to assure continuity of both operations over the long term.

The attainment of these objectives will require the initiation during 1973 of deep development programs involving the sinking of at least one shaft. The engineering aspects of these projects along with the probable financial impact on cash flow are now under study with July 1st, 1973 as a projected starting date.

Your directors wish to express their appreciation to Mr. D. Maurice McKee, mine manager, his staff and all employees for their initiative, industry and loyalty during a successful and productive year.

On behalf of the Board,

R. S. HAFLIDSON, B.Sc.,
President.

March 21, 1973

MINE MANAGER'S REPORT

P.O. Box 98, Baie Verte,
Newfoundland,
March 1, 1973

The President and Directors
Consolidated Rambler Mines Limited

Dear Sirs:

The following is a report of operations at your property for the year ended December 31, 1972.

Overall Production	1972	1971 **
Ore milled tons	386,205	429,351
Average per calendar day	1,058	1,176
Grade % copper	1.84	1.12
Percent time Mill operated	94.5	95.9
Copper recovery %	97.8	97.2
Concentrates produced tons	30,058	18,375
Copper recovered pounds (net)	13,264,319	9,092,930
Gold recovered ounces (net)	10,850	3,013
Silver recovered ounces (net)	83,053	22,118

Overall Operating Costs	1972	1971 **
Development	$1.59	$ .51
Mining	3.57	2.64
Milling	2.05	1.74
Exploration	.10	.07
Mine General & Administration	1.21	1.07
Big Rambler Pond Project		.22
	$8.52	$6.25

** 1971 figures include production of 32,947 tons mined from Big Rambler Pond Project.

Ore Reserves

	Ming Mine		East Mine		Total Reserves	
As at January 1	1973*	1972	1973	1972	1973	1972
Vertical depth	800'	800'	1300'	1150'		
Reserves tons	713,226	1,015,000	302,589	361,257	1,015,815	1,376,257
Grade % copper	2.92	3.0	0.98	0.94	2.34	2.45
Grade ounces gold	0.09	0.102			0.06	0.07
Grade ounces silver	0.65	0.835			0.46	0.62

* Ming Mine 1973 reserves indicate a loss in reserves during the year over and above the tonnage mined due to waste dyke intersections and vein sections pinching out. It should be noted that the Ming reserve figure of 713,226 tons includes only reasonably assured tonnages to 800 feet vertically. Intersections downdip in holes 153, 171 and 176 do indicate continuity of the zone downdip beyond this depth but due to the distance between holes and the lack of definition drilling along strike, no tonnage allowances were made.

MINING

Ming Mine

Production from the Ming Mine was increased from around 400 tons per day at the beginning of the year to the current 600 tons per day.

Ming Mine Production	1972	1971
Ore milled tons	181,753	39,426
Average/calendar day	496	208
Grade % copper	2.79	2.57
Concentrates tons	20,637	2,191
Copper recovered pounds (net)	9,274,776	1,452,713
Gold recovered ounces (net)	10,566	2,409
Silver recovered ounces (net)	83,053	22,118

Ming Mine Development (feet)

	1972	1971
Main Ramp advance	1,153	1,125
Drifting and crosscutting	5,102	2,942
Raising	478	384
Diamond drilling surface	7,118	35,504
Diamond drilling underground	3,616	

Ming Mine Operating Costs - $ Per Ton

	1972	1971
Development	$ 2.41	$ —
Mining	3.29	4.26
Milling	2.17	1.72
Exploration	.17	—
Mine General and Administration	1.21	1.07
Total	$ 9.25	$ 7.05

Ming Mine Exploration

Surface drilling to define Ming Mine ore limits was resumed in September and most significantly on the Ming Mine Extension Option with holes A-171 and 176 returning 2.54% Cu/15.0' and 4.86% Cu/9.4' respectively. The latter intersection is around 2300 feet vertical depth or approximately 4100 feet downplunge from surface.

Drilling will continue during 1973 in an attempt to locate more ore along strike as well as further definition of ore limits down-dip.

East Mine

The East Mine production rate was reduced from around 700 tons per day to 400 tons per day at mid year and manpower reduced accordingly. The reduced rate should allow us to exhaust all possibilities of finding more ore at depth before present reserves are depleted.

East Mine Production

	1972	1971
Ore milled tons	204,450	356,978
Average per calendar day	562	978
Grade % copper	0.98	1.03
Concentrates tons	9,421	14,996
Copper recovered pounds (net)	3,989,543	6,991,896
Gold recovered ounces (net)	284	604
Silver recovered ounces (net)	—	—

East Mine Development (feet)

	1972	1971
Drifting and crosscutting	3,605	3,668
Raising	1,331	1,819
Longhole drilling	95,717	147,990
Diamond drilling	1,926	17,697

East Mine Operating Costs - $ Per Ton

	1972	1971
Development	$ .87	$ .61
Mining	3.80	3.17
Milling	1.92	1.70
Exploration	.03	.08
Mine General and Administration	1.21	1.07
Total	$ 7.83	$ 6.63

East Mine Exploration

The 10-05 Exploration X-Cut was advanced in a south easterly direction to provide a drilling base to probe the downward extension of the Main East Zone below the 1300' horizon and also to probe the area on the East Mine Extension Option down-dip from the "AC" intersections from surface.

Diamond drilling from the 10-05 Exploration X-Cut indicates some continuation of the East Mine ore body down-dip with one hole 1000-77 reporting 1.30% Cu over 40 feet. This intersection is approximately 400 feet down plunge from the 1070 Level.

Diamond drilling of the East Mine Extension Option is scheduled to begin towards the end of the 1st quarter 1973.

Milling

The Mill continued to operate efficiently as the percentage of Ming ore in the feed was increased to the present 600 tons per day. Some reduction of throughput as well as certain changes in operating technique was necessary due to the entirely different characteristics of the Ming ore.

Construction and New Equipment Additions

During the year an oil storage shed and cold storage warehouse (steel clad 48' x 30') was erected at the Ming Mine and mine offices were completed within the main combination office-dry-garage building. Major equipment additions at both mines were: one scooptram, two scooptram engines, various ventilation, pumping and drilling equipment and tools necessary to maintain production and service.

Rambler Exploration

Other surface exploration during 1972 was concentrated in two areas — "G Grid" over a portion of the 22 claim area N.W. of the Ming Mine and "C Grid" an area S.E. of the Main Mine.

The above areas were indicated by previoulsy conducted airborne surveys which were followed up in 1972 by line cutting, geochemical and ground geophysical surveys. On both areas the geochemical and ground geophysical surveys indicated anomalies coincident with airborne response and 5 holes were drilled near year end with negligible mineralization.

The rock structures encountered are encouraging and additional follow-up drilling is planned during 1973.

General

Considerable construction of causeways to impound deposition of Mill tailings was performed as well as excavation of diversionary ditches to control spring flood waters. An emergency tailings disposal area was developed to safeguard production from possible troubles with tailings disposal operations.

No serious work stoppages evolved and labour relations continued to be favourable.

It is a pleasure to acknowledge the efficient work and loyal service of the staff and employees as well as the co-operation and support of the officers and directors of the Company.

Respectfully submitted,

CONSOLIDATED RAMBLER MINES LIMITED

Maurice McKee, B.A.Sc. Eng.
Mine Manager

Balance Sheet

ASSETS

	1972	1971
Current Assets		
Cash and short term deposits	$ 256,753	$ —
Net estimated amount receivable from sale of mineral concentrates	1,590,140	1,167,315
Accounts receivable	25,309	2,630
Prepaid expenses	71,936	38,000
	1,944,138	1,207,945
Fixed Assets		
Mining lease and land — at cost (note 1)	227,554	227,554
Buildings, surface structures and equipment — at cost less accumulated depreciation of $2,497,735 (1971 — $2,077,318) (note 2)	2,018,160	2,215,900
	2,245,714	2,443,454
Deferred Expenditures		
Mine development expense — at cost less accumulated amortization of $2,593,731; (1971 — $2,339,731)	435,331	627,349
Materials and supplies — at cost	516,161	469,485
	951,492	1,096,834
	$ 5,141,344	$ 4,748,233

Signed on behalf of the Board

R. S. HAFLIDSON, Director

D. A. MACFARLANE, Director

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December 31, 1972

LIABILITIES

	1972	1971
Current Liabilities		
Bank advances	$ —	$ 613,634
Accounts payable and accrued liabilities	697,566	810,421
6 ¾% mortgage	19,410	11,694
	716,976	1,435,749

SHAREHOLDERS' EQUITY

Capital Stock		
Authorized —		
5,000,000 shares of $1 par value		
Issued —		
2,980,006 shares	2,980,006	2,980,006
Less: Discount thereon	965,000	965,000
	2,015,006	2,015,006
Contributed Surplus	14,625	14,625
Retained Earnings	2,394,737	1,282,853
	4,424,368	3,312,484
	$ 5,141,344	$ 4,748,233

Statement of Earnings

For the year ended December 31, 1972

	1972	1971
INCOME		
Concentrate production	$ 7,097,475	$ 3,687,382
Less: Marketing expenses	1,678,154	837,044
	5,419,321	2,850,338
OPERATING EXPENSES	3,283,181	2,561,974
EARNINGS ON OPERATIONS BEFORE THE UNDERNOTED ITEMS	2,136,140	288,364
Depreciation of fixed assets (Note 2)	452,000	338,113
Amortization of mine development expenses	254,000	366,793
Surface exploration	67,072	9,617
Mining tax	68,000	—
Rent	40,000	—
	881,072	714,523
EARNINGS (LOSS) ON OPERATIONS	1,255,068	(426,159)
FINANCIAL EXPENSES		
Interest on advances and bank loans	143,184	122,405
NET EARNINGS (LOSS) FOR THE YEAR (Notes 3 and 6)	$ 1,111,884	$ (548,564)
EARNINGS (LOSS) PER SHARE	37c	(18c)

Statement of Retained Earnings

For the year ended December 31, 1972

	1972	1971
RETAINED EARNINGS — BEGINNING OF YEAR		
As previously reported	$ 1,427,985	$ 1,921,249
Reversal of deferred income tax charges set up in prior years (Note 6)	145,132	89,832
As re-stated	1,282,853	1,831,417
NET EARNINGS (LOSS) FOR THE YEAR	1,111,884	(548,564)
RETAINED EARNINGS — END OF YEAR	$ 2,394,737	$ 1,282,853

Statement of Source and Use of Working Capital

For the year ended December 31, 1972

	1972	1971
SOURCE OF WORKING CAPITAL		
From operations	$ 1,817,884	$ 167,412
USE OF WORKING CAPITAL		
Additions to buildings and equipment	254,260	484,278
Increase in mine development expenses	61,982	4,872
Increase in materials and supplies	46,676	75,656
Acquisition of mining claims	—	1
	362,918	564,807
INCREASE (DECREASE) IN WORKING CAPITAL	1,454,966	(397,395)
WORKING CAPITAL (DEFICIENCY) — BEGINNING OF YEAR	(227,804)	169,591
WORKING CAPITAL (DEFICIENCY) — END OF YEAR	$ 1,227,162	(227,804)

Notes to Financial Statements

For the year ended December 31, 1972

1. Mining Lease

The mining lease granted by the Province of Newfoundland is for a term of 30 years from February 1, 1961, and is renewable for two additional terms of 30 years each. An annual rental is stipulated under the lease equal to one-third of the net profits from all mining operations calculated in accordance with the terms of the lease. An accrual of $40,000 has been provided for in the accounts in respect of the current year. The actual amount of this liability will be determined upon final receipt for the balance of 1972 production and 1973 operations.

2. Depreciation of Fixed Assets

Depreciation of fixed assets has been provided for the year at 10% of cost. For the year 1971, depreciation was provided at 10% of cost less $787,284, the cost of main zone fixed assets not in use. As a result, depreciation for the year is $78,728 greater than it would have been had depreciation been provided as for the previous year.

3. Income Taxes

Under applicable income tax legislation, income from new mines is tax exempt for a period from the date of commencement of commercial production for 3 years or to December 31, 1973, whichever is earlier. The company is applying for tax free periods for its East Mine for the three years 1968, 1969 and 1970 and for its Ming Mine for the two years 1972 and 1973. The company believes that both of these applications should be approved, in which event no income taxes will be payable.

In the event that these applications are not approved, net earnings for the current year would be reduced by income taxes of approximately $330,000.

4. Remuneration of Directors and Senior Officers

Total direct remuneration paid during 1972 to directors was $9,183 and to senior officers (as defined in the Ontario Business Corporations Act to include the five highest paid employees of the corporation) was $94,127.

5. Participation Agreement

During the year, the company entered into an agreement with the holders of the Advocate Concession in Newfoundland, Carrol Prospector ("Carroll") and Advocate Mines Limited ("Advocate") to explore and if feasible, develop two groups of mining claims adjoining the company's property. The agreement requires that the company spend $150,000 in the first year ending July 1, 1973 and if the company wishes to continue exploration, $100,000 per group in the year ending July 1, 1974 and $150,000 per group in the following year.

Should a commercially feasible ore body be found and developed, the company agrees to pay 10% of the profits therefrom (calculated in accordance with the terms of the agreement) to Carroll and Advocate until its preproduction costs have been recovered, following which 55% of the profits will be paid to Carroll and Advocate.

6. Comparative Figures

Net loss for the year 1971 has been restated to reflect the reversal of deferred income tax charges set up in prior years. This has the effect of eliminating deferred income taxes of $55,300 and increasing the loss for 1971 by the same amount.

To the Shareholders of

CONSOLIDATED RAMBLER MINES LIMITED,

Toronto, Ontario.

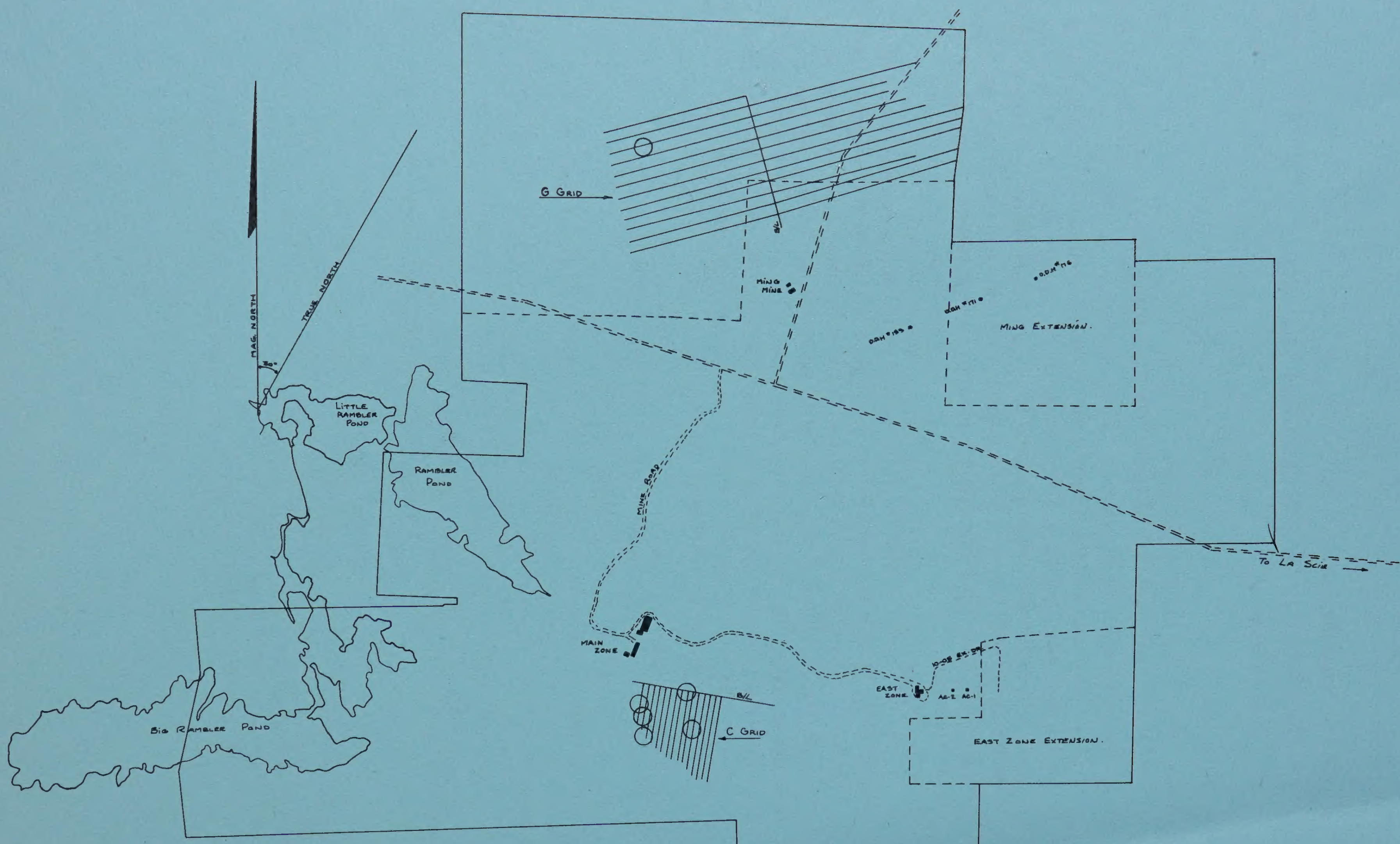
AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Consolidated Rambler Mines Limited as at December 31, 1972 and the statements of earnings and retained earnings and source and use of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Subject to the applications for a tax free period on the company's East Mine and Ming Mine being approved, as referred to in Note 3, in our opinion these financial statements present fairly the financial position of the company as at December 31, 1972 and the results of its operations and source and use of its working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for the change in the provision for depreciation of fixed assets referred to in Note 2, with which we concur.

McDONALD, CURRIE & CO.
Chartered Accountants.

SAINT JOHN, N.B., February 23, 1973



CONSOLIDATED RAMBLER MINES LTD.

BAIE VERTE — — NFLD.